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*Chinese Affairs*

25X1

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Comments and queries on the contents of this publication are welcome. They should be directed to the officers named in the individual articles.

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CENTRAL INTELLIGENCE AGENCY  
Directorate of Intelligence

CHINESE AFFAIRS

Page

[REDACTED]	1
The Economy Slows Down	2
The Message at One Remove	3
Turning Out for Tea	4
[REDACTED]	5
Latin American Holiday	6
Law of the Sea	7

25X1

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**The Economy Slows Down**

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China's rate of economic growth slowed noticeably last year, the second year of the Fourth Five Year Plan (1971-75). Gross National Product barely kept pace with the two-percent annual increase in population, judging from Peking's cryptic disclosures and other indicators. Agricultural production may have declined by as much as five percent, and the growth in industrial output probably fell to around eight percent. Some slippage in the rate of economic growth last year had been anticipated because most of the slack in non-agricultural sectors that was caused by the Cultural Revolution had been taken up over the last two years.

The slowdown, however, was greater than expected. Agricultural production was kept down by adverse weather. Shortages of raw materials slowed the growth in industrial output, and the economy was plagued by bottlenecks in transportation and failures to complete key construction projects. In many cases, local authorities apparently misused the decision-making authority they had been handed after the Cultural Revolution.

Peking has reacted to the setbacks by making a number of adjustments in its national economic plans. The government has cut the 1973 ration of cotton cloth, strengthened measures to conserve food, accorded higher priority to mining of raw materials, and acted to curb unsanctioned economic activities by local authorities. It has shown a greater willingness to turn to foreign trade as a means of supporting agriculture and maintaining living standards. Grain and cotton imports have been stepped up; China has made its first purchases of these commodities from the United States in more than two decades. Peking has recently contracted for six Western plants worth almost \$150 million to expand production of fertilizer and synthetic fibers.

Agriculture will continue to be the pivotal element in China's economic picture in 1973 and the years beyond. Peking gives every indication of taking measures to restore forward momentum in this key sector, and with reasonably good weather, the 1972 slowdown should prove temporary. The continuation of pragmatic economic policies is crucial if China is to feed and clothe its huge population and still make progress in developing a modern industrial and technical base

25X1

## The Message at One Remove

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The widely publicized ceremonies connected with "Taiwan martyrs day" were merely the tip of the iceberg so far as Peking's propaganda on the Taiwan issue is concerned. For months the mainland has been taking a conciliatory line in broadcasts directed at the island; for even longer, overseas Chinese with ties to Taiwan have been encouraged to visit the People's Republic, where they have been greeted with open arms.

Intellectuals and students are a prime target of Peking's appeal to the Taiwanese. Broadcasts from the mainland stress pride in China and its accomplishments. The prospect of forgiveness for late converts to Mao's regime is held out. In appealing to the self-interest of the audience, Peking emphasizes its good treatment of intellectuals, its encouragement of students to make a professional contribution to new China, and the free loan from economic worries for university graduates. The last point may be persuasive. Taiwan has long suffered a considerable "brain drain" of educated people who cannot find satisfactory employment on the island, even during the current period of rapid economic expansion.

In themselves the broadcasts are probably not particularly effective. Visits of Taiwanese working or studying abroad to the mainland—not to mention their exposure to mainland Chinese ideas, goals, and the like—may be another matter. These Taiwanese find the mainland very different from the standard line propagated by the Nationalists. Many of the visitors are probably flattered by the attention they get from the Communists. Last year several older overseas Taiwanese were received by Chou En-lai, who used the occasion to propagate the "united front" line. Chou told his guests that Taiwanese students should come to the mainland, where their knowledge of conditions on the island would be used.

The Nationalist government is concerned over these developments, but there is probably no way Taipei can wholly insulate students and other intellectual elements from influence that emanates from Peking. The government recently arrested two professors and several students for engaging in "united front" activities, that is, fairly overt pro-Peking propagandizing, on the island itself. Taipei is now adopting a program that will increase coverage of the mainland in the mass media and will make courses in mainland affairs for college students compulsory. In the nature of things, however, the gap between what the students are taught and what they hear outside of Taiwan will be only partially narrowed.

25X1

19 March 1973

Chinese Affairs

Page 3

## Turning Out for Tea

25X1A9A

Chou En-lai headed a small Politburo turnout for a tea party on 8 March in honor of International Working Women's Day. The event marked the reappearance in Peking of Shanghai's third-ranking party leader, Wang Hung-wen. Wang had returned to Shanghai after spending September-December 1972 among the central leadership in the capital. He has consistently ranked among a group of leaders just below Politburo level, suggesting he holds an important post in the central party apparatus.

25X1

The turnout also revealed that the wife of Hsieh Fu-chih, a Politburo member and security minister until he died a year ago, holds a government position. Hsieh's political status had been in doubt at the time of his death but his posthumous rehabilitation has apparently benefited his widow. She was listed among "women vice-ministers" and may be in the Security Ministry—husbands and wives in the central leadership are usually employed by the same organization.

Chou's wife Teng Ying-chiao was notably absent. Her position as vice president of the National Women's Federation would normally require her presence, particularly since her husband gave a speech. She has repeatedly been reported as seriously ill, however, and the irregularity of her appearances suggests this could be so.

25X1

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## Latin American Holiday

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A delegation of Chinese journalists, now in Trinidad, will continue its tour of Caribbean and Latin American nations with calls in Panama, Costa Rica, El Salvador, and Ecuador. The five-man group, led by Li Yen-nien of the international department of NCNA, already has stopped in Jamaica, Venezuela, and Guyana.

Of the eight countries so far known to be on the group's itinerary, Peking has formal diplomatic or trade relations with only Jamaica and Guyana. Billed as a friendship gesture, the tour doubtless is a low-key effort to test the climate for expanded Chinese relations with the other six countries. Neither China nor the host governments have played up the visits, but the journalists have met with important government figures, including the prime ministers of Jamaica and Guyana and the President of Venezuela.

The countries on the group's itinerary, like many other Latin American nations, have their eyes on the Chinese market. Ecuador recently concluded a deal to sell \$1.5 million worth of bananas to China and probably will soon reach an agreement to exchange permanent commercial missions. Last November, a Venezuelan commercial delegation returned from China with a contract to sell \$23 million worth of urea. As a move toward closer relations with China, Caracas will not replace its ambassador in Taipei when his tour of duty ends this month.

Although the pace of China's drive to gain recognition from foreign countries has slowed somewhat since 1971-72, the combined circumstances of the end of the Vietnam war and the Sino-US communique provide Peking with an opportunity to reduce further Nationalist influence in Latin America and elsewhere.

## Law of the Sea

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Since entering the UN in October 1971, China has participated in a very limited way in the activities of the numerous UN and UN-affiliated organizations to which it has been formally admitted. Although the Chinese attended all the sessions of the 27th session of the General Assembly, they took no initiatives and co-sponsored only one draft resolution. They were active only on issues of high priority for China--Korea, Bangladesh, and disarmament. Although some of their reticence may have been caused by unfamiliarity with certain issues or UN procedures, a more important factor was China's shortage of well-trained, experienced personnel.

Given the constraints, Peking's effort to take part in preparations for the Law of the Sea Conference is noteworthy. The Chinese announced their decision to participate in the meeting a little more than a month after they joined the UN, and they have attended Seabeds Committee meetings since March 1972. In February 1972, the Ministry of Foreign Affairs in Peking organized a Department of International Organizations, Treaties, and Law. Undoubtedly Peking had other issues in mind as well, but at that time the Law of the Sea Conference was about the only one on the horizon for China.

Another index to China's interest in the conference is the trouble the Chinese took to familiarize themselves with the problem even before entering the UN; from their arrival in New York, Chinese diplomats have demonstrated a comprehensive grasp of the questions at issue. Thus, China's failure to vote on a controversial resolution calling for a study of the economic effects of the 200-mile territorial sea limit was more probably because of the absence of instructions or the desire not to get caught in a clash of interests between maritime and land-locked third world countries than because of lack of solid information.

China, as a maritime state, is doubtless concerned about claims to offshore mineral resources, fishing rights, passage through straits, and the extent of territorial waters. More important, these issues are of concern to many underdeveloped countries, and Peking has decided that it is an area that can both help win China diplomatic recognition (as in the case of Peru) and sharpen its image as a leader of the third world.

25X1

Next 7 Page(s) In Document Exempt